

NOTIFICATION

Bangalore, dated 10th August 1965.

G.S.R. 626.—In exercise of the powers conferred by clause (i) of sub-section (2) of Section 323 of the Mysore Municipalities Act, 1964 (Mysore Act 22 of 1964), the Government of Mysore hereby makes the following rules, the draft of the same having been published as required by sub-section (1) of Section 323 of the said Act in notification No. PLM 11 MLR 65, dated 3rd June 1965, published as G.S.R. 539 in Part IV—2-C (i) of the *Mysore Gazette*, Extraordinary, dated 3rd June 1965, namely,

THE MYSORE MUNICIPALITIES (POWERS AND DUTIES OF AUDITORS) RULES, 1965.

1. *Title*.—These rules may be called the Mysore Municipalities (Powers and Duties of Auditors) Rules, 1965.

2. *Definitions*.—In these rules,—

- (a) ‘Act’ means the Mysore Municipalities Act, 1964 ;
- (b) ‘Auditor’ means an auditor appointed by the Government, under sub-section (1) of Section 290 ;
- (c) “Controller” means the Controller, State Accounts Department of the Government ;
- (d) “detailed audit” means an audit of accounts for the whole year ;

- (c) "Form" means a Form appended to these rules ;
- (f) "section" means a section of the Act ;
- (g) "special audit" means an audit of accounts pertaining to a specified item or series of items requiring thorough examination.

3. *Requisitions under Section 291 to be sent by Registered Post or by Messenger.*—The requisitions referred to in clause (a) and (b) of sub-section (1) of Section 291 shall be made by the Auditor and shall be sent to the Municipal Commissioner or Chief Officer, as the case may be, or in his absence to the head of the ministerial establishment of the municipal council by registered post or messenger. If the requisition is sent by messenger, an acknowledgement from the officer concerned with the date of receipt shall be obtained in the transit book in Form 1.

4. *Invitations to be sent in the form of a letter.*—The invitations which an auditor may issue in pursuance of clause (c) of sub-section (1) of Section 291 to the President or other honorary officer or member of a municipal council shall be in the form of a letter addressed to such officer or member ; a copy of every such letter shall be retained in the case file. The invitation shall be sent either by registered post or by messenger and in the latter case an acknowledgement duly signed by him and dated shall be obtained in the transit book in Form 1.

5. *Failure to comply with requisition to be reported to the Commissioner.*—If a requisition under clause (a) or clause (b) of sub-section (1) of Section 291 is not complied with within the period specified in the requisition, the auditor shall report the failure to the President of the municipal council and if the requisition is not then complied with within the next three days thereafter he shall send the papers to the Commissioner, with a brief statement of facts, for further action. A copy of such communication shall be forwarded simultaneously to the Controller.

6. *Form of notice of date of commencement of the audit to be given by the auditor.*—Notice of the date on which the auditor proposes to commence the audit required to be given under sub-section (3) of Section 291 shall be given by the auditor in Form 2.

7. *Auditor to conduct audit during hours of work.*—Except in cases where the Controller, in consultation with Municipal Commissioner or the Chief Officer as the case may be, decides otherwise, the auditor shall, for the purposes of conducting audit, attend at the office of the municipal council during hours of work.

8. *Municipal Council to make suitable arrangements to enable auditor to hold office.*—The municipal council shall make suitable arrangements including provision of suitable accommodation and furniture in or near the municipal office, to enable the auditor to hold his office for conducting audit.

9. *Auditor not to remove any document without the permission of the Municipal Commissioner or Chief Officer.*—The auditor shall not without the previous permission in writing of the Municipal Commissioner or Chief Officer, as the case may be or of any person authorised by him in this behalf, remove from the municipal office any books, vouchers or documents of any kind whatsoever, except that if in the case of fraud or other serious malpractice when there is reasonable apprehension that a document may be removed or destroyed, he may keep it in his possession only after passing a receipt therefor to the Municipal Commissioner or Chief Officer, as the case may be, and shall at once report the matter to the Controller.

10. *Auditor not to correspond direct with the President or Vice-President of the Municipal Council.*—The auditor shall not correspond direct with the President or Vice-President of the Municipal Council whose accounts are being audited by him except for the purpose of reporting an embezzlement or for the purposes mentioned in sub-section (1) of Section 291 or for the purposes of Rule 6 or Rule 14.

11. *Accounts for complete financial year preceding the date of audit to be ordinarily taken up for audit.*—Accounts for the complete financial year or years preceding the date of audit shall ordinarily be taken up for audit. The Controller, may, however, have the accounts audited up-to-date if, in his opinion, such audit is necessary in any particular case.

12. *Detailed audit or special audit to be taken up at the discretion of the Controller or when requested by the Commissioner.*—A detailed audit or a special audit of the accounts of a municipal council may be taken up at the discretion of the Controller, if such a course appears to him to be necessary in any case. The Commissioner may in special circumstances request the Controller to arrange for a special audit or a detailed audit of the accounts of any municipal council for any period.

13. *Auditor to verify cash balances, etc., during audit.*—The auditor shall during the audit verify the cash balances, securities held by the municipal council or its officers and servants on its behalf and also the postage stamps and the stock of printed forms kept for issue of receipts for payments received.

14. *All enquiries and remarks to be communicated through objection statements.*—All enquiries which it is necessary for the auditor to make and all remarks made by him during audit shall be made or communicated through an objection statement in Form 3.

15. *Objection statements to be issued day by day under the dated signature of auditor.*—The auditor shall issue the objection statements over his dated signature day by day as the audit proceeds, and shall obtain an acknowledgement from the Municipal Commissioner or Chief Officer as the case may be with the date of receipt entered in the transit book in Form 1.

16. *Auditor to issue separate objection statement for each Department.*—The auditor shall, as far as practicable, issue separate objection statements for each department of

the municipal council so that the department concerned may proceed to take action as soon as the objection statement is received.

17. *Objection statements to be returned with the least possible delay.*—The objection statements shall be returned, with the least possible delay, over the dated initials of the Municipal Commissioner or Chief Officer, as the case may be, together with either an explanation to the objection or a statement of the action taken or proposed to be taken to meet the objection raised and, where necessary, shall also contain replies to the enquiries made by the auditor.

18. *Auditor to re-issue any item on which sufficient Action has not been taken.*—On receipt of the replies to the points raised by the auditor, he shall where necessary re-issue for further action any items on which final or sufficient action has not been taken or on which the enquiries made have not been satisfactorily answered. Such re-issues shall be marked as "Further Remarks" in the transit book in Form I.

19. *Objection statements to be returned to auditor within three days before the close of audit.*—All objection statements shall be returned to the auditor within such period not later than three days before the close of the audit, as the auditor may specify whether all the objections have been fully answered or not.

20. *Auditor to report fraud or embezzlement confidentially.*—When a fraud or an embezzlement is detected or may reasonably be inferred from any circumstances or where any irregularity is noticed in the accounts, the auditor shall forthwith report the fact confidentially in writing to the Municipal Commissioner or Chief Officer, as the case may be, and also to the Controller. When a fraud or an embezzlement has been fully investigated by the auditor, he shall submit a complete report on the case to the Controller, who shall send copies thereof to the Commissioner and the Deputy Commissioner

having jurisdiction over the district in which the municipality is situate and also to the Municipal Commissioner or Chief Officer, as the case may be :

Provided, that where the Municipal Commissioner, or the Chief Officer, as the case may be, is involved or suspected of being involved in any fraud or embezzlement neither the preliminary report nor the final report shall be sent to him.

21. *Result of audit to be recorded in the prescribed report and in Form 3.*—The result of each audit shall be recorded in the report to be prepared and sent by the auditor under Section 293 and also in the objection statement in Form 3. The report shall be as concise as possible but shall contain all the relevant facts required to be included under Section 294.

22. *Objections admitted and questions settled to be noted in report only under certain circumstances.*—Objections admitted or questions settled during the course of audit shall be noted in the report only if the irregularity is of a serious nature, or, if any defect in the system or error in principle which may have been brought to light has not been permanently removed.

23. *Auditor's report to be in two parts.*—(1) The audit report shall be in two parts namely, Part I—Previous Audit, Part II—Current Audit, Part I, shall contain a brief summary of the remarks still requiring action or further action. Part II, shall contain remarks relating to the current audit.

(2) The details of the vouchers or other documents which have a bearing on the remarks in the audit report shall be given in an appendix or appendices to the report together with reference to the paragraph or paragraphs of the audit report.

24. *Nature of details to be reported.*—The auditor shall,

- (a) state in the first paragraph of the report the date on which the audit was taken up and the date when it was completed, and also mention the names of the President and Vice-President of the municipal council and Municipal Commissioner or Chief Officer, as the case may be who held office during the period to which the audit report relates; the names of the auditor or auditors who audited the accounts; the name of the reviewing Officer; the date of review; and the actual number of working days utilised for audit;
- (b) give in the opening paragraph of Part II of the report a statement of normal receipts and normal expenditure for the year of audit and the two preceding years, as well as a statement of assets and liabilities indicating the financial position with a brief resume of its financial condition and in such statement of assets and liabilities, fixed assets, such as land, building, plant and machinery, shall be excluded and only liquid assets such as cash balance in hand or in the Treasury or Bank, investments, advances and outstanding rents, rates and such liabilities as unspent balances of earmarked grants or revenues, contributions payable, deposits and unpaid bills, shall be included;
- (c) state whether money borrowed on the security of allocated revenues or received as a grant from Government or other sources for any specific purpose has been expended on the purpose of the loan or grant;
- (d) where a sinking fund has been prescribed state whether it is created and is being regularly added to;
- (e) state whether all advances and investments are fully secured;

- (f) give a list of all loans contracted by the municipal council and state whether the prescribed provision has been made for the repayment of the principal and interest out of the revenues of the municipal council ;
- (g) certify, where separate accounts for any undertaking have to be maintained, whether they have been so maintained and whether the accounts present a true and correct view of the results of the undertaking for the period under audit ;
- (h) give a result of the verification of the stock in the municipal stores, specify whether any losses have occurred and where they have occurred whether the system of store accounts requires to be improved ;
- (i) certify as to the correctness of the annual account ;
- (j) give at the end of the report a brief resume of the matters dealt with in the report and conclude with an opinion on the state of accounts as a whole ;
- (k) append to his report—
 - (1) a statement showing the arrears of taxes at the end of the year and the two preceding years and the percentage of arrears to the demand ;
 - (2) a statement of accounts for the year showing under the head ' Receipts ' :—
 - (i) the revenue from direct taxes ;
 - (ii) the revenue from indirect taxes ;
 - (iii) income from properties ;
 - (iv) income from miscellaneous sources ;
 - (v) Government grant ;
 - (vi) extraordinary items of revenue ; and

(vii) debts, deposits and advances ; and under the head “ Expenditure ”:—

- (1) ordinary expenditure ;
- (2) capital expenditure ;
- (3) extraordinary expenditure ;
- (4) debts, deposits and advances ;
- (3) a statement showing the loans outstanding repayment to Government or others ;
- (4) a statement showing the grants received, utilised and remaining unspent as well as the grants diverted for other purposes ;
- (5) a statement showing the contributions due to Government and outstanding payment at the end of the period covered in audit ;
- (6) a statement showing the names of municipal councillors who have not paid taxes or other municipal dues indicating the period to which they relate and the amount payable ; and
- (7) a statement showing the total transactions under receipts and expenditure on which audit charges are leviable and the amount of audit charges payable by the municipal council.

25. *Objection statement to contain remarks on technical irregularities, etc.*—The objection statement in Form 3 shall contain remarks on technical irregularities, defects and omissions in accounts and registers and objections relating to individual items of receipts or payments.

26. *Final objection statement to be in two sections.*—The final objection statement shall be in two sections. Section I shall show items relating to the previous audit on which action or further action is necessary and Section II shall contain items relating to the current audit.

FORM 1

(See rules 3, 4, 15 and 18).

Transit Book of the.....

Date	Description of documents sent	To whom sent	Dated initials of		Date of Return	Initials of Auditor	Remarks
			Audit Superintendent/ Auditor	Receiving officer			
1	2	3	4	5	6	7	8

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FORM 2

(See rule 6)

No...../LAC.

Dated.....19.....

To

The President,

.....

.....Municipal Council.

Sir,

Sub :—Notice of the date on which it is proposed to commence
audit of the accounts of the.....Municipal
Council for the year.....

The audit of the accounts of.....Municipal Council
for the year/s.....will be taken up on....
under the provisions of the Mysore Municipalities Act, 1964.

Arrangements may kindly be made to have the accounts, registers
and connected references ready for examination and to furnish
promptly, information on the points raised in the course of audit.

Arrangements may also be made to produce records, etc., which were
not produced during the previous audit and steps may be taken to settle
all pending objections during the course of the present audit.

Yours faithfully,

Auditor.

FORM 3

(See rules 14, 21 and 25).

Audit objection statement on the accounts of.....for.....

Date of transaction and No. of voucher receipt	Particulars of transactions	Objections or suggestions	Reply of Municipal Commissioner/Chief Officer	Notes of admission or further remarks by Auditor	Further explanation by Municipal Council	Final remarks of Auditor
1	2	3	4	5	6	7

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[No. PLM 11 MLR 65.]

By Order and in the name of the Governor of Mysore,
B. VENKATARAMIA, *Deputy Secretary (Special).*

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